



NSW Electricity Infrastructure Roadmap – Performance Audit Guideline

Guide

May 2024

Energy >>



Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

Tribunal Members

The Tribunal members for this review are:

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The Independent Pricing and Regulatory Tribunal

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from [IPART's website](#).

Contents

1	Introduction	4
1.1	Role of this Guideline	4
1.2	Consideration of other audits, assurance frameworks, and reviews	5
2	Performance audit goals	7
3	Performance auditing	8
3.1	Frequency of audits	8
3.2	Performance audit selection	9
3.3	Authority to access entity information	10
3.4	Confidentiality requirements	10
3.5	Forming the audit conclusion	10
3.6	Recommendations	11
4	Roles and responsibilities	12
4.1	IPART's approach	12
4.2	Audited entity's obligations	13
5	Follow-up process after the performance audit is completed	16
6	Performance audit process	17
7	Glossary of terms	19

1 Introduction

IPART is a Regulator under the NSW *Electricity Infrastructure Investment Act 2020* (EII Act) and *Electricity Infrastructure Investment Regulation 2021* (EII Regulation). One of our functions is to audit the performance of key entities performing functions under the EII Act.¹ This function is the subject of this Guideline.

IPART is an independent, strategic agency of the NSW Government, charged with regulating key markets and government services to ensure effective social, environmental, and economic outcomes. IPART's functions include statutory and commissioned roles across energy, water, local government, transport, and other industries. We monitor energy prices, safety and reliability, and we administer the NSW Energy Sustainability Schemes.

We monitor compliance with safety and reliability obligations placed on electricity network operators in NSW. We also monitor compliance with licence conditions for gas and electricity networks. For some electricity networks this includes critical infrastructure security and environmental obligations.

1.1 Role of this Guideline

IPART is required to publish guidelines on our website about how we propose to conduct performance audits of entities under section 67(1) of EII Act.² We are also required to publish an annual audit plan setting out the routine performance audits we plan to undertake in the following year at least 1 month before the beginning of the relevant year.³ The annual audit plan is a separate document.

The EII Regulation⁴ specifies that the Guideline is to detail the process for how IPART will:

- give notice of an audit,
- consult on the scope of an audit,
- consult the audit subject on adverse comments or findings proposed to be included in an audit report, and
- audit more than one audit subject at the same time.

We have prepared the Guideline to also set out how IPART will undertake its audit function and provide guidance on the roles and responsibilities of the entities who are the audit subject. Chapter 4 includes detail on roles and responsibilities of IPART and audit subject(s). Chapter 6 includes a detailed audit process and accommodations when auditing more than one audit subject at a time.

¹ EII Act s67(1)

² EII Regulation cl 72(5)

³ EII Regulations Clause 69(3) requires us to publish the annual audit plan and cl 69(4) defines year to mean a period of 12 months commencing on 1 July.

⁴ EII Regulations cl 72(2)

The entities that may be audit subjects are the consumer trustee, financial trustee, scheme financial vehicle, and infrastructure planner. IPART may conduct a routine performance audit of each entity no more than once every 5 years.

IPART may also conduct a performance audit whenever IPART:

1. reasonably suspects the entity may be unable to effectively undertake its functions under the EII Act, or
2. receives information that indicates the entity may:
 - a. be incompetent, or
 - b. have engaged in misconduct, or
 - c. lack capacity.

This Guideline provides examples of what may constitute incompetence, misconduct, or incapacity on the part of the entity, or compromise the ability of an entity to effectively carry out its functions,

If a routine performance audit of an entity identifies matters of high risk, IPART may conduct a follow-up audit of the entity and assess whether or not the entity has taken action to address identified matters of high risk, including action recommended by the Regulator.

1.2 Consideration of other audits, assurance frameworks, and reviews

IPART will consider other external control and assurance measures relevant to the entities. We will consider the level of assurance that has been provided, the findings of those audits, reviews and processes, and the extent to which we can rely on those findings and recommended ameliorations in forming our own audit conclusions.

Other external controls and assurance measures include but are not limited to those undertaken under the:

- *Corporations Act 2001* (Cth)
- *Government Sector Audit Act 1983*
- *Public Governance, Performance and Accountability Act 2013* (Cth).

At the time of publishing this Guideline the financial trustee (Equity Trustees Limited), scheme financial vehicle (Scheme Financial Vehicle Pty Ltd), and consumer trustee (AEMO Services Pty Ltd) are subject to requirements under the *Corporations Act 2001* (Cth).

The Energy Corporation of NSW (EnergyCo) is a statutory authority established under the *Energy and Utilities Administration Act 1987*, and is responsible for leading the delivery of the first 5 Renewable Energy Zones (REZs) as part of the [NSW Government's Electricity Infrastructure Roadmap](#) (Roadmap). EnergyCo must comply with the *Government Sector Finance Act 2018* and is subject to reporting and financial oversight by NSW Treasury.

At the time of publishing this Guideline, we were aware that the Audit Office of NSW may undertake a multi-agency performance audit of the Electricity Infrastructure Roadmap under the *Government Sector Audit Act 1983*, but there is no planned date. The audit would examine whether components of the Roadmap are being delivered as planned and whether key risks were being appropriately managed. The audit may also examine whether asset owners and operators had effective risk and resilience plans in place to safeguard designated critical electricity infrastructure assets. We will liaise with the Audit Office of NSW to minimise the extent of overlap with their work.

None of the Roadmap entities are subject to the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act). The PGPA Act applies to government bodies (corporate and non-corporate Commonwealth entities, and Commonwealth companies) as detailed on the [Department of Finance website](#).

External reviews or assurance may be undertaken by government, non-government bodies, or other regulators from time to time.

In 2023 the NSW Government commissioned the independent [NSW Electricity Supply and Reliability Check Up](#) that made 54 recommendations, of which 47 were accepted in part or full.

Infrastructure NSW provides project assurance for Roadmap delivery through the [NSW Infrastructure Investor Assurance Framework](#), an independent risk-based assurance process for NSW's capital projects.

2 Performance audit goals

Our performance audit goals are aligned with clause 73(2) of the EII Regulation:

In conducting an audit, the auditor must, without limitation, assess the following:

- a. the extent to which the audit subject, in exercising functions and complying with obligations under the EII Act, is acting efficiently, effectively and economically,
- b. the exercise of the audit subject's functions under the EII Act,
- c. compliance with the audit subject's obligations under the EII Act.

The EII Act's objects are set out in section 3 of the EII Act. The functions of each entity, set out in the EII Act, are designed to satisfy these objects. Carrying out the prescribed functions is the responsibility of both entities subject to performance audit, and entities not subject to performance audit by IPART, such as the Energy Security Target Monitor, Renewable Energy Sector Board, and Regulators.

Specific audit objectives will be determined as part of the audit scoping process at the audit planning stage for each audit of an entity.

3 Performance auditing

Performance audits assess whether entities carry out their activities effectively and do so economically and efficiently and in compliance with all relevant laws.

The activities examined by a performance audit may include functions delivered by the consumer trustee, financial trustee, scheme financial vehicle, and infrastructure planner. The performance audit may include all or part of an audited entity, or more than one entity. The performance audit can also consider particular issues which affect the delivery of the Roadmap.

Performance audits provide independent assurance to the NSW Parliament and the public. Through their recommendations, performance audits seek to improve the value for money and provide assurance that the outcomes of the Roadmap are being delivered.

Entities subject to performance audits are selected at the discretion of IPART. Audits may be informed by consultation with relevant stakeholders and our research and analysis.

The performance audit approach should support attainment of statutory outcomes of the EII Act and should provide assurance and transparency but be undertaken in a way which is proportionate. Performance audits should balance the need for transparency and assurance against the burden on Roadmap entities.

3.1 Frequency of audits

Routine performance audits

IPART may conduct a routine performance audit of each entity no more than once every 5 years. More than one entity may be audited at the same time. The process for auditing one or more entities is included in Chapter 6.

IPART will follow up with the audited entity on actions taken in response to recommendations by IPART. IPART may include any responses in our Roadmap annual report to the Minister.

IPART may make additional follow up for substantive recommendations that may take longer to implement.

Follow-up audits

If a routine performance audit of an entity identifies matters of high risk, IPART may conduct a follow-up audit of the entity and assess whether or not the entity has taken action to address identified matters of high risk, including action recommended by IPART. IPART will use audit techniques appropriate and proportionate to the matter to be addressed. Audit techniques may range from IPART seeking verifiable audit evidence from the entity to engagement of an external audit service provider to verify that recommendations have been completed.

Audits when unsatisfactory performance is suspected

IPART may also conduct a performance audit or vary the audit scope of an ongoing audit (without necessarily consulting on the scope change) whenever IPART reasonably suspects an entity may be unable to effectively undertake its functions under the EII Act, or receives information that indicates the entity may be incompetent, or have engaged in misconduct, or lack capacity. These performance audits are not subject to the frequency limitation of routine performance audits.

Table 1 Examples of unsatisfactory performance

Causes for performance audits	Examples
IPART reasonably suspects an entity may be unable to effectively undertake its functions under the EII Act.	<p>The following issues could compromise the ability of an entity to effectively carry out its functions:</p> <ul style="list-style-type: none"> • Lack of expertise: An entity lacks the staff with the level of expertise and experience required to enable it to carry out its functions. • Organisational capabilities: An entity lacks the appropriate internal systems and procedures to enable it to carry out its functions in accordance with the legislative requirements. • Conflict of interest: An entity should carry out its functions independently and free from bias, to make the best decisions on the information available. Its decisions and conduct could affect other audit subjects and entities.
IPART receives information that indicates the entity may be incompetent.	<ul style="list-style-type: none"> • An entity's personnel lack the necessary qualifications and skills to carry out the functions conferred on the entity in accordance with the legislative requirements. • An entity has contravened its legislative obligations due to a lack of skill, care or ability, particularly if the contravention is serious or repeated.
IPART receives information that indicates the entity may have engaged in misconduct	<ul style="list-style-type: none"> • An entity deliberately omitted information it was required to consider when exercising a function or making a decision. • An entity provided information that is misleading in a material manner, subsequently became aware of it, but did not take steps to rectify that error. • An entity deliberately contravened its legislative obligations, as opposed to a contravention that occurred due to a lack of care or skill. • An entity exercised its functions in a biased way.
IPART receives information that indicates the entity may lack capacity.	<ul style="list-style-type: none"> • An entity lacks the technical expertise to carry out the functions conferred on the entity. • An entity lacks the organisational or other resources to carry out the functions conferred on the entity.

3.2 Performance audit selection

IPART uses a strategic approach to developing the annual audit plan, which balances high risk areas of the entity's functions, administrative burden, and external control and assurance measures⁵ relevant to the entity. The audit plan will identify whether an audit is of one or more entities.

Each year, IPART will seek input from the proposed audit entity or entities, the appointor of the audit entity or entities, and the Auditor-General before publishing the annual audit plan. IPART will take into account other reviews or audits of the Roadmap and suggestions from the Auditor-General.

⁵ Including under the *Corporations Act 2001* (Cth), the *Government Sector Audit Act 1983*, and the *Public Governance, Performance and Accountability Act 2013* (Cth).

The annual audit plan will be published on the IPART website.

3.3 Authority to access entity information

Under section 74 of the EII Regulations an audited entity must, if requested to do so by an auditor, provide information to the auditor that the auditor considers reasonably necessary for the audit. If the requested information is not provided in a reasonable period of time, IPART may issue a notice which compels provision of this information.

Information received by IPART must be managed in accordance with the Principles of the *Privacy and Personal Information Act 1998* (Privacy Act) and the Health Privacy Principles of the *Health Records and Information Act 2002*. Further information about IPART's management of personal and health information can be found in the [Privacy Management Plan](#) published on the IPART website.

3.4 Confidentiality requirements

Where an entity provides IPART with information it considers to be confidential or sensitive, it should:

- clearly label that information as “confidential” or “sensitive”
- provide a written explanation of why it considers the information to be confidential or sensitive.

IPART may decide not to publish part of an audit report if satisfied it is not appropriate, taking into account the public interest, the extent to which publishing the part of the report would disclose information that is confidential or commercially sensitive, and the effect of publishing the part of the report on competitive assessment processes.

3.5 Forming the audit conclusion

In conducting an audit, IPART will, without limitation, assess the extent to which the entity, in exercising functions and complying with obligations under the EII Act, is acting efficiently, effectively and economically, and in compliance with the entity's obligations under the EII Act.

IPART will evaluate the sufficiency and appropriateness of the evidence obtained and if necessary, attempt to obtain further evidence. If IPART is unable to obtain necessary further evidence, we will consider the implications for the audit conclusion.

The report will state when there was not sufficient or appropriate evidence to form an audit conclusion, in terms of economy, efficiency and/or effectiveness and compliance as evaluated against the identified criteria. Where sufficient or appropriate evidence is not available to form a conclusion, IPART may come to a negative finding against the identified criteria.

Where an audit identifies that an entity is failing to exercise functions efficiently, effectively or economically and the failure in the opinion of the auditor poses a high risk, IPART may conduct a follow-up audit of the entity. The follow-up audit may be conducted outside the limit of auditing an entity once in a five-year period to assess whether the entity has taken timely action to address identified matters of high risk, including action recommended by IPART.

Chapter 7 includes a glossary of terms including economy, efficiency, effectiveness and materiality.

3.6 Recommendations

If variations or shortcomings in performance are identified, IPART will make recommendations that link to the audit objectives, findings and conclusions. Recommendations can also be made where an entity has not complied with its obligations under the EII Act.

Audit recommendations will address the cause of the issue or matter that requires improvement, and explicitly address issues considered high risk to the delivery of the Roadmap. Recommendations will include timeframe for completion, agreed with the entities.

For audits of more than one entity, a decision will be made early in the audit (and advice given to the entities included in the audit) about whether the audit report will include findings, conclusions and recommendations for each entity, or will be written in generic terms.

The audit report may identify broad lessons for other entities and inform improved business practices across to aid Roadmap delivery which have come to light during the audit. It may relate to both areas for improvement and good practice identified in the audit.

4 Roles and responsibilities

4.1 IPART's approach

IPART aims to complete the audit work efficiently to minimise the impost on each audited entity. The time to complete this work varies depending on the complexity of the audit and the number of audit entities involved.

Knowledge of the Roadmap and functions being audited

IPART's audit team will obtain sufficient knowledge to enable it to identify and understand issues relevant to the Roadmap and functions of the entity being audited.

Performance audits may be undertaken on topics that require specialised skills and knowledge beyond those possessed by the audit team. In these cases, IPART will engage specialist providers to provide expert assistance to the audit team and will discuss this with the audited entity. The audit team will engage audit service providers that have the necessary competence, capabilities and impartiality to complete the work required. Any audit service provider engaged are also bound by our confidentiality requirements.

No surprises approach

The audit team seeks to establish a constructive relationship with the audited entity so that there are 'no surprises' in the final Report.

The head of the audited entity, and executive staff, are encouraged to provide input at appropriate stages of the audit, such as when the audit is being scoped, and when preliminary findings, the draft report and potential recommendations are discussed.

IPART will notify the Minister for Energy prior to the commencement of an audit.

The audit process outlined in Table 2 provides several formal consultation points for the audited entity to discuss the audit planning, preliminary findings and draft report during the course of the audit. In practice, there is ongoing and frequent communication between the audit team and the liaison officers nominated by the audited entity. See section 4.2 for further information on the audited entity's obligations.

Additionally, the head of the audited entity and executive staff can contact the Executive Director Regulation and Compliance and Director Regulation and Compliance for Roadmap functions at any time to discuss the audit. Contact details are provided to the head of the audited entity and liaison officers at the commencement of the audit.

Before publishing an audit report, IPART will invite the audited entity to provide a written response to the audit report. IPART will give a copy of both response and the report to the Minister.

Audit methodology

IPART's performance audit methodology is designed to comply with Australian Auditing Standards (ASAE 3500 *Performance Engagements*) and other professional standards including equivalent international standards.

If there is a conflict or inconsistency between a provision of the Australian Auditing Standards and a provision of an equivalent international standard, the provision of the Australian Auditing Standards prevails to the extent of the conflict or inconsistency.

In conducting an audit, the auditor must, without limitation, assess the following:

1. the extent to which the entity, in exercising functions and complying with obligations under the EII Act, is acting efficiently, effectively and economically,
2. the exercise of the entity's functions under the EII Act,
3. compliance with the entity's obligations under the EII Act.

The standards require the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective.

Code of Ethics and Conduct

Everyone working at, and on behalf of IPART is required to implement and comply with the provisions of the [IPART Code of Ethics and Conduct](#) and the NSW Public Sector values on which it is based.

4.2 Audited entity's obligations

We aim to use entity staff time efficiently and effectively and expect the entity's cooperation to facilitate the audit work. In the planning stage of each audit, the audit team will consult with the liaison officers and agree on timely access to people and information (see Table 2).

Nominate up to 2 liaison officers

The head of each audited entity is asked to nominate up to 2 liaison officers to work with the audit team. The liaison officers' role is important to both IPART and the audited entity.

The liaison officer should be a senior member of the audited entity who will keep the head of the audited entity informed of the progress of the audit, and who has authority to make decisions on behalf of the entity, for example, when reviewing the draft Report and discussing potential audit recommendations.

The liaison officer will be asked to assist with the day to day administration of the audit, such as assistance in arranging meetings, access to people and information. The head of the audited entity, or the nominated liaison officer, may wish to appoint a second liaison officer to assist the audit team with these matters.

Regular and open communications between the audit team and management of the audited entity help deliver an efficient audit. The audit team will contact the nominated liaison officers regularly during the audit and will direct most questions and documentation requests through them. Refer to Table 2 for more details.

It is essential the audit team receives prompt responses to its questions and requests for supporting documentation.

Prepare early for the audit

IPART has an annual audit plan which is published on the IPART website. The annual audit plan identifies entities to be audited.

The performance audit commencement letter sent to the head of the audited entity includes an indication of the issues that the audit may examine. This is discussed and refined during the planning phase of the audit outlined in Table 2.

The head of the audited entity can prepare early for the performance audit by:

- reviewing relevant plans, records and source data, and making sure these are up-to-date and available for the audit team
- gathering documentation on how the entity monitors and measures the effectiveness, economy and efficiency of the audited activity and have the most recent results ready.

Provide full and free access to people and information

IPART's authority to access entity information and confidentiality requirements are outlined earlier in this Guideline.

The head of the audited entity and the liaison officers are responsible for arranging unrestricted access for the audit team to relevant individuals and documents and for the completeness and accuracy of the information supplied for the audit.

Each performance audit is unique, and as a result it is difficult for audit teams to know exactly the documentation relevant to the audit. It is therefore the entity's responsibility to ensure it provides:

- all information it is aware of that is relevant to the audit, whether or not it is specifically requested
- all information the audit team requests that is relevant to the audit
- unrestricted access to all people in the entity from whom it is necessary to obtain audit evidence.

During the planning stage of the audit, ASAE 3500 requires the audit team to ask the audited entity whether:

- it has any knowledge of any actual, suspected or alleged intentional misstatement (such as fraud) or non-compliance with laws and regulations in relation to the audit
- there have been any internal or external reviews or audits conducted in relation to the audit.

Transmission and storage of entity information

IPART treats all audit-related information as 'in-confidence'. IPART's computer network has appropriate security measures in place to mitigate unlawful access. Secure arrangements are also in place to store physical documentation.

Any questions that the audited entity may have about the secure transfer or retention of information should be discussed with the audit team at the earliest opportunity.

IPART will discuss with audit entity liaison officers suitable options and timing to provide information and documentation for the audit.

Audited entities may provide working papers in hard copy or electronic format. Our preferred format is electronic documents in Word, Excel, or PDF formats provided through IPART's secure file upload service. Details of the file upload service are provided by the audit team when information is requested.

If the entity sends sensitive information to the audit team, whether by paper, electronically or otherwise, it must label the information accordingly (refer to [NSW Government Information Classification, Labelling and Handling Guidelines](#)).

The audit team may need 'read only' access to the entity's electronic systems. If this is required, the liaison officer will be asked to arrange the necessary access including guest login IDs or access to terminals on-site.

IPART's record keeping practices are consistent with the [Information Protection Principles](#) of the Privacy Act.

To assist with IPART's obligations to protect personal information, entities should de-identify data and information before it is provided to the audit team, as well as using a secure file transfer facility where available.

Comply with work health and safety (WHS) and anti-discrimination laws, and harassment-free workplace policies

IPART is committed to maintaining a high standard of work health and safety, and staff are expected to treat each other and audited entity staff with courtesy and respect.

Audited entities have a duty of care to IPART staff under the *Work Health and Safety Act 2011*, the regulations under that Act, Codes of Practice and recognised industry standards, as appropriate.

If the audit team fails to adhere to anti-discrimination laws or the [Code of Ethics and Conduct policy](#), the entity liaison officers should advise the Executive Director Regulation and Compliance immediately.

IPART has policies and strategies to prevent and deal with discrimination and harassment.

If the audit team is treated contrary to anti-discrimination laws and the harassment free workplace policy by any entity staff, the audit team will advise the Executive Director Regulation and Compliance immediately. The incident will be raised with the entity liaison officers and, if necessary, with the head of the audited entity and the IPART Chair.

5 Follow-up process after the performance audit is completed

We will follow up on action taken by audited entities in response to recommendations made by IPART at time intervals identified by IPART in writing at the conclusion of an audit. We may publish on the IPART website the response to the recommendations and seek additional evidence where required. IPART may also provide comments on submissions made by entities to IPART.

If a routine performance audit of an entity identifies matters of high risk, IPART may conduct a follow-up audit of the entity and assess whether or not the entity has taken action to address identified matters of high risk, including action recommended.

After the performance audit report is published, IPART writes to the head of each audited entity to confirm this process and provide a template to assist the audited entity to report to IPART when requested.

6 Performance audit process

Once initiated, performance audits have 3 main stages: planning, conduct and reporting. A description of each of these stages, and the extent of our consultation with each audited entity, is outlined in the table below.

Table 2 Performance audit stages and consultation with audited entities

Audit Process	Engagement
<p>Publish annual audit plan</p>	
<p>IPART will identify in the annual audit plan if more than one entity is being audited at the same time. Each year, IPART will seek input from the proposed entity, the appointor of the entity, and the Auditor-General before publishing the annual audit plan. IPART will take into account other reviews or audits of the Roadmap and suggestions from the Auditor-General. IPART will publish the annual audit plan on the IPART website.</p>	<p>We will consult audit entities, appointor of the entities, and the Auditor-General on annual audit plan</p>
<p>Stage 1 of performance audit Plan for an audit</p>	
<p>IPART will assign an audit team and initiate the audit.</p>	
<p>IPART will issue commencement letters to the head of each audited entity and the responsible Minister/s.</p>	<p>We will inform the head of each audited entity of audit commencement in writing</p>
<p>The head of each audited entity nominates their liaison officers who will work with the audit team.</p>	
<p>The audit team will meet with entity liaison officers, and other key stakeholders, to gain an understanding of the entity and activities relevant to the audit. If more than one entity is being audited, then separate meetings will be held with each entity.</p>	
<p>The audit team will develop the audit's scope and focus, including the audit objective and potential criteria for all audit entities. For audits of more than one entity, IPART will discuss with liaison officers whether the final audit report will include findings, conclusions and recommendations for each entity, or will be written in generic terms.</p>	
<p>IPART will discuss the potential audit scope and final report format with entity liaison officers.</p>	<p>We will consult the audit entity on draft audit scope and focus</p>
<p>The audit team will finalise the audit scope and develop the audit plan in consultation with entity liaison officers. In determining the scope of an audit, IPART must consult with the entity, the appointor of the entity, and may consult the Auditor-General.</p>	
<p>In addition to the scope and focus, the audit plan may include:</p> <ul style="list-style-type: none"> • the audit procedures, including how and what information is to be collected to answer the audit criteria • for audits of more than one entity, how the audit team will manage workload and interactions with the entities • audit fieldwork and approach, including the people and locations the audit team will visit during the audit • audit schedule, including consultation milestones and proposed publication date. 	
<p>Once finalised, IPART will issue the audit plan and audit engagement letter to the head of each audit entity. For audits of more than one entity, IPART will clarify in the audit engagement letter whether the final report will include findings, conclusions and recommendations for each entity, or will be written in generic terms.</p>	<p>We will write to each audit entity to issue the audit plan and to commence audit engagement</p>

Audit Process	Engagement
Stage 2 of performance audit	
Conduct an audit	
<p>The audit team will collect evidence and analyse it against the audit criteria. The audit team will attempt to gather sufficient and appropriate evidence to answer the audit objective and criteria.</p>	<p>We will conduct interviews with relevant entity staff and make written requests for access to documents and information</p>
<p>The audit team will discuss preliminary findings against the audit criteria with entity liaison officers. They may request additional relevant evidence if needed. For audits of more than one entity, the audit team will not proceed to the reporting stage until sufficient and appropriate evidence has been collected from all entities.</p>	<p>We will discuss preliminary findings with liaison officers of audited entities</p>
<p>IPART may vary audit scope (without necessarily consulting on the scope change) in response to findings, or findings whenever IPART reasonably suspects an entity may be unable to effectively undertake its functions under the EII Act or receives information that indicates the entity may be incompetent, or have engaged in misconduct, or lack capacity.</p>	<p>We may issue an audit scope variation on suspicion of unsatisfactory performance (at IPART's discretion)</p>
Stage 3 of performance audit	
Prepare audit report	
<p>The audit team will prepare a draft report and hold a meeting with entity liaison officers to discuss their feedback. The purpose of the draft report is to give the audited entity the opportunity to identify errors of fact or interpretation, and to provide additional relevant evidence that addresses the audit criteria. Responses received from the audited entity are carefully considered and amendments made as necessary.</p> <p>For audits of more than one entity the audit team will include in the report findings, conclusions and recommendations for each entity, or will write in generic terms as communicated in the engagement letter.</p>	<p>We will issue a draft report to the audited entities for feedback</p>
<p>During this process the audit team will also discuss with each entity liaison officers potential recommendations.</p>	<p>We will discuss potential recommendations</p>
<p>The head of each audited entity may wish to meet with the Executive Director Regulation and Compliance to discuss the draft audit report and recommendations before it is finalised.</p>	
<p>IPART will issue the final report to the head of each audited entity, the Minister, in accordance with the EII Act and EII Regulations.</p>	<p>We will issue a final report to the audited entities and Minister</p>
<p>IPART will include in the audit report recommendations to improve accountability and performance.</p> <p>The head of each audited entity is invited to provide a written response to the audit report and its recommendations that will be published on IPART's website. IPART will invite each audited entity to provide their confirmation of (or acknowledging) their acceptance/rejection of each recommendation. IPART's communication will also advise each entity head of the follow-up process and reporting requirements.</p>	<p>We will invite the head of each audited entity to respond to recommendation</p>
<p>IPART will present the audit report and each audited entity's response to the Minister and publish them on the IPART website. IPART will also write to the Minister outlining the key findings and recommendations of the audit report.</p>	<p>We will publish the report and entity responses and write to the Minister</p>
Audit follow up	
<p>IPART will issue an auditee survey to each audited entity to provide information that will inform IPART's practices going forward.</p>	<p>We will provide an opportunity for the audited entities to complete a performance audit survey to inform future audits</p>
<p>IPART will follow up actions taken by each audited entities in response to recommendations by IPART. IPART may include response from each audited entity in our Roadmap annual report.</p>	<p>The audited entities report on progress in implementing recommended actions to IPART</p>
<p>IPART may make additional follow up requests with an audited entity where recommendations take longer to implement.</p>	<p>Entities may be asked to provide updates to IPART (if requested)</p>

7 Glossary of terms

The following terms and meanings are adapted from the Australian standard on assurance engagements ASAE 3500 *Performance Engagement*.

Term	Meaning
Objectives	IPART will determine specific audit objectives for all audits, that evaluate the performance of the function or functions of an entity, with respect to economy, efficiency and/or effectiveness against the identified criteria, and the entity compliance with obligations of the EII Act.
Sub-objectives	IPART may break the objectives down into sub-objectives for clarity
Criteria	Criteria are the measures used to assess the performance of the function. They may be based on relevant legislation, guidelines, internal policies and procedures, industry standards or best practice. Criteria which address each objective or sub-objective are developed or identified in the annual audit plan and performance audit engagement letter.
Scope	The scope of an audit includes: <ul style="list-style-type: none"> • the audit entity or entities and a description of functions under the EII Act • the functions of each entity which are the subject matter of the performance audit • a description of objectives and sub-objectives of the performance audit • identification of the criteria for evaluating the performance • if appropriate, a description of any significant inherent limitations associated with the evaluation of performance against the identified criteria.
Economy	The performance principle relating to the minimisation of the costs of resources, within the operational requirements of timeliness and availability of required quantity or quality.
Effectiveness	The performance principle relating to the extent to which the intended objectives at a program or entity level are achieved.
Efficiency	The performance principle relating to the minimisation of inputs employed to deliver the intended outputs in terms of quality, quantity and timing.
Materiality	Variations in performance of an activity evaluated against the identified criteria which, have the potential to affect the economy, efficiency and/or effectiveness of the activity and be reasonably expected to influence relevant decisions of the intended users or the discharge of accountability by the responsible party or governing body of the entity.

Note: Criteria and Scope adapted from Standard on Assurance Engagements ASAE 3500 Performance Engagements, Issued by the Auditing and Assurance Standards Board, December 2022.

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